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Message Text

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ORIGIN EA-14

INFO OCT-01 ISO-00 IO-14 EB-11 NSCE-00 NSC-10 AID-20

CIAE-00 COME-00 FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00

XMB-07 OPIC-12 SPC-03 CIEP-02 LAB-06 SIL-01 OMB-01

SS-20 STR-08 CEA-02 OIC-04 L-03 H-03 /155 R

DRAFTED BY EA/ROC:RWSULLIVAN:BDS
APPROVED BY EA/ROC:RWSULLIVAN
EB - MR. WEINTRAUB
EA/PRCM - MR. ARMSTRONG
---------- 068201
P R 071922Z DEC 73
FM SECSTATE WASHDC
TO AMEMBASSY TAIPEI PRIORITY
INFO AMCONSUL HONG KONG
USLO PEKING

C O N F I D E N T I A L STATE 240020

E.O. 11652: GDS
TAGS: PFOR, EFIN, TW, CH
SUBJECT:CHIREP IN IMF/IBRD

1. ROC ECONOMIC MINISTER MARTIN WONG CALLED ON DEPUTY ASSISTANT SECRETARY WEINTRAUB DECEMBER 6 TO DISCUSS THE STATUS OF CHIREP ISSUE IN BANK AND FUND.

2. WONG EXPRESSED CONSIDERABLE ANNOYANCE OVER MCNAMARA HANDLING OF THE ISSUE SPECIFICALLY CITING WHAT HE CALLED THE ABRUPT LANGUAGE IN THE TELEGRAM TO ROC FINANCE MINISTER K.T. LI SUGGESTING THAT THE ROC WORK OUT A FINANCIAL SETTLEMENT WITH THE BANK BEFORE OUSTER. WONG EMPHASIZED THAT THE ROC WAS PREPARED ON A CONTINGENCY BASIS TO DISCUSS FINANCIAL ARRANGEMENTS AND SAID THAT HE WAS ALREADY ENGAGED IN SUCH DISCUSSIONS WITH THE BANK. HE DESCRIBED THE BANK'S PROPOSAL FOR A SETTLEMENT, WHICH
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HE EXPECTS TO RECEIVE IN WRITING ON DECEMBER 7, AS

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,GENEROUS." ALTHOUGH TAIPEI MAY QUARREL WITH SOME DETAILS, WONG SAID, THE PROPOSAL PROVIDES FOR CONTINUED DISBURSEMENT OF OUTSTANDING LOANS, ROC REPAYMENT AND RETURN TO THE ROC OF SOME PORTION OF ITS SUBSCRIPTIONS.

3. WONG NOTED THAT THE NEXT MEETING OF THE EXECUTIVE DIRECTORS AT WHICH THIS ISSUE WILL BE DISCUSSED IS SCHEDULED FOR DECEMBER 18. AT THAT MEETING, WHICH WILL BE RESTRICTED AND WILL FOLLOW THE REGULAR MEETING,

MCNAMARA WILL REPORT THAT HE HAS RECEIVED NO RESPONSE FROM THE PRC AND THAT HE HAS BEGUN DISCUSSIONS WITH THE ROC ON A FINANCIAL SETTLEMENT. THE ROC IS CONCERNED, HOWEVER, THAT GIVEN MCNAMARA'S APPARENT DESIRE TO SETTLE THE ISSUE PROMPTLY AND THE FRENCH POSITION THAT A VOTE SHOULD BE TAKEN WITHOUT WAITING FOR A RESPONSE FROM THE PRC, A RESOLUTION TO OUST THE ROC MAY COME TO A VOTE AT THAT MEETING. (FYI. WE ARE INFORMED THAT MCNAMARA'S INTENTION IS TO AVOID SUCH AN OUTCOME BY HIS HANDLING OF HIS REPORT.) IN RESPONSE TO WONG'S QUESTIONS, WEINTRAUB SAID THAT WE WOULD BE PREPARED TO DO WHAT WE COULD TO DELAY A VOTE ON THIS ISSUE.

4. WONG INDICATED THAT THE ROC HOPED THAT THROUGH A COMBINATION OF PARLIAMENTARY TACTICS AND A DECISION WITH OTHER MEMBERS, WE COULD POSTPONE A VOTE FOR AS LONG AS POSSIBLE, HOPEFULLY UNTIL MAY OR JUNE. HE AGREED THAT ISSUE PROBABLY WOULD HAVE TO BE RESOLVED BEFORE THE NEXT ANNUAL MEETING. HE THEN ASKED IF WE COULD SUPPORT AN EFFORT TO BLOCK CONSIDERATION OF THIS ISSUE BY REFERRING THE QUESTION TO THE GOVERNORS BY MAIL VOTE AND THEN SEEKING TO PREVENT A QUORUM BY PERSUADING ONE-THIRD OF THE VOTING POWER TO WITHHOLD THEIR VOTES.

5. WEINTRAUB REPLIED THAT WE ARE NOT SURE THAT THIS WOULD BE TECHNICALLY FEASIBLE. IN ANY CASE, RESORTING TO THIS STRATEGY WOULD CAUSE CONSIDERABLE RESENTMENT AGAINST BOTH US AND THE ROC BY OTHER MEMBERS AND WOULD PROBABLY RESULT IN EITHER THE ED'S DECIDING THEY SHOULD DECIDE THE ISSUE OR IN A RESOLUTION AT THE NEXT ANNUAL
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MEETING. WONG REPLIED THAT HE WAS INCLINED TO AGREE THAT THIS WAS NOT A FEASIBLE STRATEGY AND SAID HE WOULD REPORT OUR VIEWS TO TAIPEI. HE EMPHASIZED AGAIN THAT THE CRITICAL ISSUE WAS TO PREVENT A VOTE AT THE DECEMBER 18 MEETING.

6. FULL OUTLINE US POSITION FOLLOWS SEPTEL.

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: DEVELOPMENT LOANS, DEBT REPAYMENTS
Control Number: n/a
Copy: SINGLE
Draft Date: 07 DEC 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: golinofr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973STATE240020
Document Source: CORE
Document Unique ID: 00
Drafter: RWSULLIVAN:BDS
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: n/a
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19731237/aaaabbdj.tel
Line Count: 116
Locator: TEXT ON-LINE
Office: ORIGIN EA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: golinofr
Review Comment: n/a
Review Content Flags:
Review Date: 25 JUL 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <25-Jul-2001 by shawdg>; APPROVED <11 MAR 2002 by golinofr>
Review Markings:

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Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: HIREP IN IMF/IBRD
TAGS: PFOR, EFIN, TW, CH, IMF, IBRD
To: TAIPEI
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

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